

MASON FLOOR AMENDMENT

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1160

(Reference to the Appropriations Committee amendment)

Page 1, between lines 1 and 2, insert:

"Section 1. Title 41, chapter 10, article 1, Arizona Revised Statutes, is amended by adding section 41-1510.02, to read:

41-1510.02. Solar energy technologies tax incentives:
qualification

A. TAX INCENTIVES ARE ALLOWED FOR EXPANDING OR LOCATING QUALIFIED SOLAR ENERGY TECHNOLOGIES OPERATIONS IN THIS STATE.

B. TO BE ELIGIBLE FOR THE TAX INCENTIVES, A SOLAR ENERGY TECHNOLOGIES BUSINESS MUST APPLY TO THE DEPARTMENT OF COMMERCE, ON A FORM PRESCRIBED BY THE DEPARTMENT, FOR CERTIFICATION OF THE BUSINESS AS QUALIFYING FOR THE INCENTIVES. THE APPLICATION MUST INCLUDE:

1. THE APPLICANT'S NAME, ADDRESS, TELEPHONE NUMBER AND FEDERAL TAXPAYER AND EMPLOYER IDENTIFICATION NUMBER OR NUMBERS.

2. THE NAME, ADDRESS, TELEPHONE NUMBER AND E-MAIL ADDRESS OF A CONTACT PERSON FOR THE APPLICANT.

3. THE ADDRESS OF THE SITE WHERE THE QUALIFIED BUSINESS OPERATIONS WILL BE LOCATED.

4. A DESCRIPTION OF THE BUSINESS.

5. OTHER DETAILS AS PRESCRIBED BY THE DEPARTMENT, TO DETERMINE WHETHER THE BUSINESS QUALIFIES FOR THE TAX INCENTIVES AS PRESCRIBED BY THIS SECTION.

C. THE BUSINESS MUST MAKE A NEW INVESTMENT IN THIS STATE IN SOLAR ENERGY TECHNOLOGIES MANUFACTURING, OR IN REGIONAL, NATIONAL OR GLOBAL SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS AS FOLLOWS:

1. TO QUALIFY FOR INCOME TAX CREDITS PURSUANT TO SECTION 43-1083.01 OR 43-1164.01, THE BUSINESS MUST MEET THE FOLLOWING REQUIREMENTS, AS APPLICABLE:

(a) THE INVESTMENT MUST PRODUCE NEW FULL-TIME EMPLOYMENT POSITIONS WITH AN AVERAGE WAGE THAT EQUALS OR EXCEEDS ONE HUNDRED FIFTY PER CENT OF THE MEDIAN ANNUAL WAGE IN THIS STATE, AS DETERMINED BY THE DEPARTMENT OF ECONOMIC SECURITY'S OCCUPATIONAL EMPLOYMENT AND ANNUAL WAGE ESTIMATES.

1 (b) THE NEW EMPLOYMENT POSITIONS MUST INCLUDE HEALTH INSURANCE
2 COVERAGE FOR THE FULL-TIME EMPLOYEES FOR WHICH THE EMPLOYER PAYS AT LEAST
3 EIGHTY PER CENT OF THE PREMIUM OR MEMBERSHIP COST, OR AN EQUIVALENT
4 PERCENTAGE OF THE COST FOR ALTERNATIVE HEALTH BENEFIT MODELS.

5 (c) A QUALIFYING INVESTMENT IN OPERATIONS MUST REPRESENT EITHER AN
6 EXPANSION OF AN EXISTING OPERATION IN THIS STATE OR THE ESTABLISHMENT OF A
7 NEW OPERATION IN THIS STATE. A RELOCATION OF AN EXISTING OPERATION FROM ONE
8 LOCATION IN THIS STATE TO ANOTHER LOCATION WITHOUT A QUALIFYING EXPANSION
9 DOES NOT QUALIFY UNDER THIS SECTION FOR THE TAX INCENTIVES.

10 (d) FOR THE PURPOSES OF THIS SECTION AND SECTIONS 43-1083.01 AND
11 43-1164.01, AN INVESTMENT IN MANUFACTURING MAY INCLUDE RESEARCH AND
12 DEVELOPMENT FACILITIES, DEMONSTRATION FACILITIES AND HEADQUARTERS FACILITIES.

13 2. THE QUALIFYING PROPERTY SHALL BE CLASSIFIED AS CLASS SIX FOR THE
14 PURPOSES OF PROPERTY TAXATION PURSUANT TO SECTION 42-12006, PARAGRAPH 9 IF
15 THE NEW MANUFACTURING INVESTMENT AMOUNTS TO AT LEAST TWENTY-FIVE MILLION
16 DOLLARS IN LAND, NEW BUILDINGS AND OTHER FIXED CAPITAL ASSETS AND EQUIPMENT.
17 IF THE NEW FULL-TIME EMPLOYMENT POSITIONS PAY AN AVERAGE WAGE THAT EQUALS:

18 (a) AT LEAST ONE HUNDRED FIFTY, BUT LESS THAN TWO HUNDRED, PER CENT OF
19 THE MEDIAN ANNUAL WAGE IN THIS STATE, AS DETERMINED BY THE DEPARTMENT OF
20 ECONOMIC SECURITY'S OCCUPATIONAL EMPLOYMENT AND ANNUAL WAGE ESTIMATES, THE
21 PROPERTY MAY BE CLASSIFIED AS CLASS SIX FOR TEN TAX YEARS.

22 (b) AT LEAST TWO HUNDRED PER CENT OF THE MEDIAN ANNUAL WAGE IN THIS
23 STATE, AS DETERMINED BY THE DEPARTMENT OF ECONOMIC SECURITY'S OCCUPATIONAL
24 EMPLOYMENT AND ANNUAL WAGE ESTIMATES, THE PROPERTY MAY BE CLASSIFIED AS CLASS
25 SIX FOR FIFTEEN TAX YEARS.

26 D. A BUSINESS MAY SEPARATELY APPLY AND QUALIFY FOR CERTIFICATION AND
27 TAX INCENTIVES WITH RESPECT TO EACH SEPARATE PHASE OF AN EXPANSION OF
28 BUSINESS OPERATIONS AS SET OUT IN THE MEMORANDUM OF UNDERSTANDING UNDER
29 SUBSECTION G OF THIS SECTION.

30 E. ELIGIBILITY FOR THE TAX INCENTIVES ARE SUBJECT TO ANY ADDITIONAL
31 REQUIREMENTS PRESCRIBED BY SECTIONS 42-12006, 43-1083.01 AND 43-1164.01, AS
32 APPLICABLE.

33 F. WITHIN SIXTY DAYS AFTER RECEIVING A COMPLETE AND CORRECT
34 APPLICATION UNDER SUBSECTION B OF THIS SECTION, THE DEPARTMENT OF COMMERCE
35 SHALL REVIEW THE APPLICATION AND EITHER CERTIFY THE APPLICANT AS QUALIFYING

1 FOR THE PURPOSES OF THE TAX INCENTIVES OR PROVIDE REASONS FOR ITS DENIAL. A
2 FAILURE TO APPROVE OR DENY THE CERTIFICATION WITHIN SIXTY DAYS CONSTITUTES
3 APPROVAL OF THE CERTIFICATION. THE DEPARTMENT OF COMMERCE SHALL SEND COPIES
4 OF THE CERTIFICATION TO THE DEPARTMENT OF REVENUE AND ANY APPLICABLE COUNTY
5 ASSESSOR. WITHIN THIRTY DAYS, THE DEPARTMENT OF REVENUE AND COUNTY ASSESSOR
6 SHALL REVIEW THE CERTIFICATION TO DETERMINE WHETHER THE APPLICANT IS
7 CURRENTLY IN GOOD STANDING AND IS NOT DELINQUENT IN THE PAYMENT OF ANY TAX.

8 G. A QUALIFYING APPLICANT UNDER THIS SECTION MUST ENTER INTO A
9 MEMORANDUM OF UNDERSTANDING WITH THE DEPARTMENT OF COMMERCE IN WHICH THE
10 APPLICANT:

11 1. COMMITS TO CONTINUE IN BUSINESS AT THE QUALIFYING LOCATION FOR TEN
12 FULL CALENDAR YEARS AFTER FIRST QUALIFYING FOR A TAX INCENTIVE, OTHER THAN
13 FOR REASONS BEYOND THE CONTROL OF THE BUSINESS.

14 2. SETS OUT A SCHEDULE OF DISCRETE EXPANSION, INVESTMENT AND HIRING
15 PHASES OVER THE DURATION OF THE TAX INCENTIVES CERTIFIED PURSUANT TO THIS
16 SECTION.

17 3. AGREES TO FURNISH TO THE DEPARTMENT INFORMATION RELATING TO THE
18 AMOUNT OF TAX BENEFITS RECEIVED EACH YEAR.

19 4. AUTHORIZES THE DEPARTMENT OF COMMERCE AS BEING ELIGIBLE TO RECEIVE
20 TAX INFORMATION FROM THE DEPARTMENT OF REVENUE PURSUANT TO SECTION 42-2003
21 FOR THE PURPOSE OF DETERMINING ANY INCONSISTENCY IN INFORMATION FURNISHED TO
22 THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE.

23 5. AGREES TO THE DISCLOSURE BY THE DEPARTMENT OF COMMERCE OF THE
24 AMOUNT OF TAX BENEFITS RECEIVED EACH YEAR IN COMPOSITE FORM, WITHOUT SPECIFIC
25 IDENTIFICATION OF ANY TAXPAYER.

26 6. AGREES TO SUBMIT ANNUAL REPORTS TO THE DEPARTMENT OF COMMERCE AS
27 REQUIRED BY SUBSECTION I OF THIS SECTION AND TO ALLOW INSPECTIONS AND AUDITS
28 TO VERIFY THE APPLICANT'S CONTINUING QUALIFICATION AND THE ACCURACY OF
29 INFORMATION SUBMITTED TO THE DEPARTMENT.

30 7. CONSENTS TO THE ADJUSTMENT OR RECAPTURE OF ALL OR PART OF ANY
31 INCOME TAX CREDIT OR REDUCTION PROVIDED TO THE BUSINESS ON NONCOMPLIANCE WITH
32 THE LAW OR NONCOMPLIANCE WITH THE TERMS OF THE MEMORANDUM.

33 H. QUALIFICATION AND CERTIFICATION OF A BUSINESS FOR THE PURPOSES OF
34 INCOME TAX CREDITS UNDER THIS SECTION DO NOT CONSTITUTE OR IMPLY COMPLIANCE
35 WITH ANY OTHER PROVISION OF LAW OR ANY REGULATORY RULE, ORDER, PROCEDURE,

1 PERMIT OR OTHER MEASURE REQUIRED BY LAW. TO MAINTAIN QUALIFICATION FOR
2 INCOME TAX CREDITS UNDER THIS SECTION, A BUSINESS MUST SEPARATELY COMPLY WITH
3 ALL ENVIRONMENTAL, EMPLOYMENT AND OTHER REGULATORY MEASURES.

4 I. ON OR BEFORE MARCH 1 OF EACH YEAR, THE QUALIFYING BUSINESS MUST
5 MAKE A REPORT TO THE DEPARTMENT OF COMMERCE ON BUSINESS ACTIVITY AT THE
6 QUALIFYING SITES, INCLUDING EMPLOYMENT INFORMATION NECESSARY TO CONFIRM
7 CONTINUING QUALIFICATION. BUSINESS INFORMATION CONTAINED IN THE REPORT IS
8 CONFIDENTIAL AND SHALL NOT BE DISCLOSED TO THE PUBLIC, EXCEPT AS REQUIRED BY
9 THIS SECTION AND EXCEPT THAT A COPY OF THE REPORT SHALL BE TRANSMITTED TO THE
10 DEPARTMENT OF REVENUE. THE REPORT SHALL BE IN A FORM PRESCRIBED BY THE
11 DEPARTMENT OF COMMERCE.

12 J. FOR THE PURPOSES OF ADMINISTERING AND ENSURING COMPLIANCE WITH THE
13 REQUIREMENTS OF THIS SECTION, AGENTS OF THE DEPARTMENT MAY ENTER, AND A
14 QUALIFIED BUSINESS SHALL ALLOW ACCESS TO, A QUALIFYING BUSINESS SITE AT
15 REASONABLE TIMES AND ON REASONABLE NOTICE TO:

16 1. INSPECT THE FACILITIES AT THE SITE.

17 2. OBTAIN FACTUAL DATA AND RECORDS PERTINENT TO AND REQUIRED BY LAW TO
18 BE KEPT FOR THE PURPOSES OF THE TAX INCENTIVES.

19 3. OTHERWISE ASCERTAIN COMPLIANCE WITH THE LAW AND THE TERMS OF THE
20 MEMORANDUM OF UNDERSTANDING.

21 K. THE DEPARTMENT OF COMMERCE MAY REVOKE THE BUSINESS' CERTIFICATION
22 IF:

23 1. THE BUSINESS NO LONGER MEETS THE TERMS AND CONDITIONS REQUIRED FOR
24 QUALIFYING FOR THE TAX INCENTIVES. THE DEPARTMENT MAY GIVE SPECIAL
25 CONSIDERATION, OR ALLOW TEMPORARY EXEMPTION FROM RECAPTURE OF TAX BENEFITS,
26 IN THE CASE OF EXTRAORDINARY HARDSHIP DUE TO FACTORS BEYOND THE CONTROL OF
27 THE QUALIFYING BUSINESS.

28 2. WITHIN THIRTY DAYS AFTER A FORMAL REQUEST FROM THE DEPARTMENT OF
29 COMMERCE OR THE DEPARTMENT OF REVENUE THE BUSINESS FAILS OR REFUSES TO
30 PROVIDE THE INFORMATION OR ACCESS FOR INSPECTIONS REQUIRED BY THIS SECTION.

31 L. IF THE DEPARTMENT OF COMMERCE REVOKES THE BUSINESS' CERTIFICATION
32 UNDER SUBSECTION K OF THIS SECTION, IT SHALL NOTIFY THE DEPARTMENT OF REVENUE
33 AND THE COUNTY ASSESSOR OF THE ACTION AND THE CONDITIONS OF NONCOMPLIANCE.
34 THE DEPARTMENT OF REVENUE MAY ALSO TERMINATE THE CERTIFICATION IF IT OBTAINS
35 INFORMATION INDICATING A FAILURE TO QUALIFY AND COMPLY. THE DEPARTMENT OF

1 REVENUE MAY REQUIRE THE BUSINESS TO FILE APPROPRIATE AMENDED TAX RETURNS
2 REFLECTING ANY RECAPTURE OF INCOME TAX CREDITS UNDER SECTION 43-1083.01 OR
3 43-1164.01.

4 M. FOR TEN YEARS AFTER A BUSINESS FIRST QUALIFIES FOR TAX INCENTIVES
5 UNDER THIS SECTION, IN ANY ACTION INVOLVING THE LIQUIDATION OF THE BUSINESS
6 ASSETS DUE TO FRAUD OR RELOCATION OUT OF STATE THIS STATE CLAIMS THE POSITION
7 OF A SECURED CREDITOR OF THE BUSINESS IN THE AMOUNT OF INCOME TAX CREDITS THE
8 BUSINESS RECEIVED PURSUANT TO SECTION 43-1083.01 OR 43-1164.01.

9 N. THE DEPARTMENT OF COMMERCE AND THE DEPARTMENT OF REVENUE SHALL
10 COLLABORATE IN ADOPTING RULES THAT ARE NECESSARY TO ACCOMPLISH THE INTENT AND
11 PURPOSES OF THIS SECTION.

12 O. FOR THE PURPOSES OF THIS SECTION:

13 1. QUALIFYING EMPLOYMENT POSITIONS MUST:

14 (a) BE AT LEAST ONE THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR OF
15 FULL-TIME AND PERMANENT EMPLOYMENT.

16 (b) EXIST FOR AT LEAST NINETY DAYS IN THE FIRST TAXABLE YEAR IN WHICH
17 THE BUSINESS QUALIFIES FOR THE INCOME TAX CREDITS. A NEW EMPLOYMENT POSITION
18 CREATED AND FILLED DURING THE LAST NINETY DAYS OF THE YEAR IS CONSIDERED TO
19 BE A NEW EMPLOYMENT POSITION IN THE NEXT YEAR.

20 2. SOLAR ENERGY TECHNOLOGIES ARE LIMITED TO SYSTEMS AND COMPONENTS
21 THAT ARE USED OR USEFUL FOR THE MANUFACTURING OF SOLAR ENERGY DEVICES, AS
22 DEFINED IN SECTION 44-1761, OR FOR THE GENERATION, STORAGE, TESTING AND
23 RESEARCH AND DEVELOPMENT, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FROM
24 SOLAR RENEWABLE RESOURCES, INCLUDING PHOTOVOLTAIC AND CONCENTRATED SOLAR
25 POWER AND SOLAR THERMAL PROCESS USED IN GENERATING ELECTRICITY.

26 Sec. 2. Section 42-12001, Arizona Revised Statutes, is amended to
27 read:

28 42-12001. Class one property

29 For purposes of taxation, class one is established consisting of the
30 following subclasses:

31 1. Producing mines and mining claims, personal property used on mines
32 and mining claims, improvements to mines and mining claims and mills and
33 smelters operated in conjunction with mines and mining claims that are valued
34 at full cash value pursuant to section 42-14053.

35 2. Standing timber that is valued at full cash value.

1 3. Real and personal property of gas distribution companies, electric
2 transmission companies, electric distribution companies, combination gas and
3 electric transmission and distribution companies, companies engaged in the
4 generation of electricity and electric cooperatives that are valued at full
5 cash value pursuant to section 42-14151.

6 4. Real and personal property of airport fuel delivery companies that
7 are valued pursuant to section 42-14503.

8 5. Real and personal property that is used by producing oil, gas and
9 geothermal resource interests that are valued at full cash value pursuant to
10 section 42-14102.

11 6. Real and personal property of water, sewer and wastewater utility
12 companies that are valued at full cash value pursuant to section 42-14151.

13 7. Real and personal property of pipeline companies that are valued at
14 full cash value pursuant to section 42-14201.

15 8. Real and personal property of shopping centers that are valued at
16 full cash value or pursuant to chapter 13, article 5 of this title, as
17 applicable.

18 9. Real and personal property of golf courses that are valued at full
19 cash value or pursuant to chapter 13, article 4 of this title.

20 10. All property, both real and personal, of manufacturers, assemblers
21 or fabricators, **OTHER THAN PROPERTY THAT IS SPECIFICALLY INCLUDED IN ANOTHER**
22 **CLASS DESCRIBED IN THIS ARTICLE, THAT ARE** valued under the provisions of this
23 title.

24 11. Real and personal property that is used in communications
25 transmission facilities and that provides public telephone or
26 telecommunications exchange or interexchange access for compensation to
27 effect two-way communication to, from, through or within this state.

28 12. Real property and improvements that are devoted to any other
29 commercial or industrial use, other than property that is specifically
30 included in another class described in this article, and that are valued at
31 full cash value.

32 13. Personal property that is devoted to any other commercial or
33 industrial use, other than property that is specifically included in another
34 class described in this article, and that is valued at full cash value.

1 Sec. 3. Section 42-12006, Arizona Revised Statutes, is amended to
2 read:

3 42-12006. Class six property

4 For purposes of taxation, class six is established consisting of:

5 1. Noncommercial historic property as defined in section 42-12101 and
6 valued at full cash value.

7 2. Real and personal property that is located within the area of a
8 foreign trade zone or subzone established under 19 United States Code section
9 81 and title 44, chapter 18, that is activated for foreign trade zone use by
10 the district director of the United States customs service pursuant to
11 19 Code of Federal Regulations section 146.6 and that is valued at full cash
12 value. Property that is classified under this paragraph shall not thereafter
13 be classified under paragraph 7 of this section.

14 3. Real and personal property and improvements that are located in a
15 military reuse zone that is established under title 41, chapter 10, article 3
16 and that is devoted to providing aviation or aerospace services or to
17 manufacturing, assembling or fabricating aviation or aerospace products,
18 valued at full cash value and subject to the following terms and conditions:

19 (a) Property may not be classified under this paragraph for more than
20 five tax years.

21 (b) Any new addition or improvement to property already classified
22 under this paragraph qualifies separately for classification under this
23 paragraph for not more than five tax years.

24 (c) If a military reuse zone is terminated, the property in that zone
25 that was previously classified under this paragraph shall be reclassified as
26 prescribed by this article.

27 (d) Property that is classified under this paragraph shall not
28 thereafter be classified under paragraph 4, ~~or~~ 7 OR 9 of this section.

29 4. Real and personal property and improvements that are located in an
30 enterprise zone, that are owned or used by a small manufacturing or small
31 commercial ~~printer~~ PRINTING business that is certified by the department of
32 commerce pursuant to section 41-1525.01 and that are valued at full cash
33 value, subject to the following terms and conditions:

34 (a) Property may not be classified under this paragraph for more than
35 five tax years.

1 (b) Property that is classified under this paragraph shall not
2 thereafter be classified under paragraph 3, ~~or~~ 7 OR 9 of this section.

3 5. Real and personal property and improvements or a portion of such
4 property comprising a qualified environmental technology manufacturing,
5 producing or processing facility as described in section 41-1514.02, valued
6 at full cash value and subject to the following terms and conditions:

7 (a) Property shall be classified under this paragraph for twenty tax
8 years from the date placed in service.

9 (b) Any addition or improvement to property already classified under
10 this paragraph qualifies separately for classification under this subdivision
11 for an additional twenty tax years from the date placed in service.

12 (c) After revocation of certification under section 41-1514.02,
13 property that was previously classified under this paragraph shall be
14 reclassified as prescribed by this article.

15 (d) Property that is classified under this paragraph shall not
16 thereafter be classified under paragraph 7 of this section.

17 6. That portion of real and personal property that is used on or after
18 January 1, 1999 specifically and solely for remediation of the environment by
19 an action that has been determined to be reasonable and necessary to respond
20 to the release or threatened release of a hazardous substance by the
21 department of environmental quality pursuant to section 49-282.06 or pursuant
22 to its corrective action authority under rules adopted pursuant to section
23 49-922, subsection B, paragraph 4 or by the United States environmental
24 protection agency pursuant to the national contingency plan (40 Code of
25 Federal Regulations part 300) and that is valued at full cash value.
26 Property that is not being used specifically and solely for the remediation
27 objectives described in this paragraph shall not be classified under this
28 paragraph. For the purposes of this paragraph, "remediation of the
29 environment" means one or more of the following actions:

30 (a) Monitoring, assessing or evaluating the release or threatened
31 release.

32 (b) Excavating, removing, transporting, treating and disposing of
33 contaminated soil.

34 (c) Pumping and treating contaminated water.

1 (d) Treatment, containment or removal of contaminants in groundwater
2 or soil.

3 7. Real and personal property and improvements constructed or
4 installed from and after December 31, 2004 through December 31, 2010 and
5 owned by a qualified business under section 41-1516 and used solely for the
6 purpose of harvesting, transporting or the initial processing of qualifying
7 forest products removed from qualifying projects as defined in section
8 41-1516. The classification under this paragraph is subject to the following
9 terms and conditions:

10 (a) Property may be initially classified under this paragraph only in
11 valuation years 2005 through 2010.

12 (b) Property may not be classified under this paragraph for more than
13 five years.

14 (c) Any new addition or improvement, constructed or installed from and
15 after December 31, 2004 through December 31, 2010, to property already
16 classified under this paragraph qualifies separately for classification and
17 assessment under this paragraph for not more than five years.

18 (d) Property that is classified under this paragraph shall not
19 thereafter be classified under paragraph 2, 3, 4, ~~or~~ 5 OR 9 of this section.

20 8. Real and personal property and improvements to the property that
21 are used specifically and solely to manufacture from and after December 31,
22 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent
23 biodiesel and its by-products and that are valued at full cash value. This
24 paragraph applies only to the portion of property that is used specifically
25 for manufacturing and processing one hundred per cent biodiesel fuel, or its
26 related by-products, from raw feedstock obtained from off-site sources,
27 including necessary on-site storage facilities that are intrinsically
28 associated with the manufacturing process. Any other commercial or
29 industrial use disqualifies the entire property from classification under
30 this paragraph.

31 9. REAL AND PERSONAL PROPERTY AND IMPROVEMENTS CERTIFIED PURSUANT TO
32 SECTION 41-1510.02, SUBSECTION C, PARAGRAPH 2, USED EXCLUSIVELY FOR SOLAR
33 ENERGY TECHNOLOGIES MANUFACTURING OR REGIONAL, NATIONAL OR GLOBAL
34 HEADQUARTERS OPERATIONS AS PROVIDED BY SECTION 42-12056. THIS PARAGRAPH
35 APPLIES ONLY TO PROPERTY THAT IS USED IN MANUFACTURING AND HEADQUARTERS

1 OPERATIONS OF SOLAR ENERGY COMPANIES, INCLUDING NECESSARY ON-SITE STORAGE
2 FACILITIES THAT ARE ASSOCIATED WITH THE MANUFACTURING PROCESS. ANY OTHER
3 COMMERCIAL OR INDUSTRIAL USE DISQUALIFIES THE ENTIRE PROPERTY FROM
4 CLASSIFICATION UNDER THIS PARAGRAPH. CLASSIFICATION UNDER THIS PARAGRAPH IS
5 LIMITED TO THE TIME PERIODS DETERMINED BY THE DEPARTMENT OF COMMERCE PURSUANT
6 TO SECTION 41-1510.02, SUBSECTION C, PARAGRAPH 2, SUBDIVISION (a) OR (b).
7 PROPERTY THAT IS CLASSIFIED UNDER THIS PARAGRAPH SHALL NOT THEREAFTER BE
8 CLASSIFIED UNDER ANY OTHER PARAGRAPH OF THIS CHAPTER.

9 Sec. 4. Title 42, chapter 12, article 2, Arizona Revised Statutes, is
10 amended by adding section 42-12056, to read:

11 42-12056. Criteria for solar energy technologies property

12 A. TO QUALIFY FOR THE CLASSIFICATION AS CLASS SIX PURSUANT TO SECTION
13 42-12006, PARAGRAPH 11, THE OWNER OF A MANUFACTURING FACILITY OR HEADQUARTERS
14 FACILITY MUST BE CERTIFIED PURSUANT TO SECTION 41-1510.02, SUBSECTION C,
15 PARAGRAPH 2 AND MUST PROVIDE DOCUMENTATION TO THE COUNTY ASSESSOR EACH YEAR
16 THAT THE FACILITY IS EXCLUSIVELY DEDICATED TO MANUFACTURING SOLAR ENERGY
17 TECHNOLOGIES MANUFACTURING OR REGIONAL, NATIONAL OR GLOBAL HEADQUARTERS
18 OPERATIONS.

19 B. FOR THE PURPOSES OF THIS SECTION, SOLAR ENERGY TECHNOLOGIES ARE
20 LIMITED TO SYSTEMS AND COMPONENTS THAT ARE USED OR USEFUL FOR THE
21 MANUFACTURING OF SOLAR ENERGY DEVICES, AS DEFINED IN SECTION 44-1761, OR FOR
22 THE GENERATION, STORAGE, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FROM
23 SOLAR RENEWABLE RESOURCES, INCLUDING PHOTOVOLTAIC AND CONCENTRATED SOLAR
24 POWER AND SOLAR THERMAL PROCESS USED IN GENERATING ELECTRICITY.

25 Sec. 5. Section 42-15006, Arizona Revised Statutes, is amended to
26 read:

27 42-15006. Assessed valuation of class six property

28 The assessed valuation of class six property described in
29 section 42-12006 is based on the following percentages to the full cash value
30 or limited valuation of class six property, as applicable:

- 31 1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6,
32 ~~and~~ 7 AND 9, five per cent.
- 33 2. Property described in section 42-12006, paragraph 4:
34 (a) For primary property tax purposes, five per cent.

(b) Except as provided in subdivision (c), for secondary property tax purposes:

(i) Twenty-five per cent through December 31, 2006.

(ii) Twenty-four per cent beginning from and after December 31, 2006 through December 31, 2007.

(iii) Twenty-three per cent beginning from and after December 31, 2007 through December 31, 2008.

(iv) Twenty-two per cent beginning from and after December 31, 2008 through December 31, 2009.

(v) Twenty-one per cent beginning from and after December 31, 2009 through December 31, 2010.

(vi) Twenty per cent beginning from and after December 31, 2010.

(c) If subdivision (b) is finally adjudicated to be invalid, for secondary property tax purposes, five per cent."

Renumber to conform

Page 2, between lines 26 and 27, insert:

Sec. 7. Repeal

Section 43-222, Arizona Revised Statutes, is repealed.

Sec. 8. Title 43, chapter 2, article 2, Arizona Revised Statutes, is amended by adding a new section 43-222, to read:

43-222. Income tax credit review schedule

THE JOINT LEGISLATIVE INCOME TAX CREDIT REVIEW COMMITTEE SHALL REVIEW THE FOLLOWING INCOME TAX CREDITS:

1. FOR YEARS ENDING IN 0 AND 5, SECTIONS 43-1075, 43-1075.01, 43-1079.01, 43-1087, 43-1088, 43-1090.01, 43-1163, 43-1163.01, 43-1167.01, 43-1175 AND 43-1182.

2. FOR YEARS ENDING IN 1 AND 6, SECTIONS 43-1074.02, 43-1083, 43-1085, 43-1164 AND 43-1183.

3. FOR YEARS ENDING IN 2 AND 7, SECTIONS 43-1073, 43-1079, 43-1080, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1167, 43-1169, 43-1176 AND 43-1181.

4. FOR YEARS ENDING IN 3 AND 8, SECTIONS 43-1074.01, 43-1081, 43-1168, 43-1170 AND 43-1178.

5. FOR YEARS ENDING IN 4 AND 9, SECTIONS 43-1076, 43-1081.01, 43-1083.01, 43-1084, 43-1162, 43-1164.01 AND 43-1170.01.

1 Sec. 9. Section 43-1074, Arizona Revised Statutes, is amended to read:
2 43-1074. Credit for increased employment in enterprise zones;
3 definitions

4 A. A credit is allowed against the taxes imposed by this title for net
5 increases in qualified employment positions of residents of this state by a
6 business located in an enterprise zone established under title 41, chapter
7 10, article 2, except employment positions at a zone location where more than
8 ten per cent of the business conducted at the location consists of retail
9 sales of tangible personal property, measured by either the number of
10 employees assigned to retail sales or the square footage of the facility used
11 for retail sales activities at the location in the zone. Retail sales and
12 retail sales activities do not include:

13 1. Food and beverage for consumption on the premises solely by
14 employees and occasional guests of employees at the location.

15 2. Promotional products not available for sale and displaying the
16 company logo or trademark.

17 3. Products sold to company employees.

18 B. Subject to subsection E of this section, the amount of the credit
19 is equal to:

20 1. One-fourth of the taxable wages paid to an employee in a qualified
21 employment position, not to exceed five hundred dollars, in the first year or
22 partial year of employment.

23 2. One-third of the taxable wages paid to an employee in a qualified
24 employment position, not to exceed one thousand dollars per qualified
25 employment position, in the second year of continuous employment.

26 3. One-half of the taxable wages paid to an employee in a qualified
27 employment position, not to exceed one thousand five hundred dollars per
28 qualified employment position, in the third year of continuous employment.

29 C. To qualify for a credit under this section:

30 1. All of the employees with respect to whom a credit is claimed must
31 reside in this state.

32 2. Thirty-five per cent of the employees with respect to whom a credit
33 is claimed for the first year of employment must reside on the date of
34 employment in an enterprise zone that is located in the same county in which
35 the business is located. If an employee for whom a credit was allowed in the

1 first year of employment leaves employment during the second or third year,
2 the taxpayer may substitute another employee who meets the requirements of
3 paragraph 3 of this subsection and who was hired during the same year as the
4 original employee. If the original employee was counted toward the residency
5 requirement under this paragraph, the substitute employee must also have
6 resided in a zone at the time the substitute was hired.

7 3. A qualified employment position must meet all of the following
8 requirements:

9 (a) The position must be a minimum of one thousand seven hundred fifty
10 hours per year of full-time and permanent employment.

11 (b) The job duties must be performed primarily at the zone locations
12 of the business. If an eligible employee in a qualified employment position
13 is transferred or assigned to work in the taxpayer's workplace at a different
14 location that is also located in an enterprise zone and qualifies as a zone
15 location, it may be considered to be continuous employment if it continues to
16 meet all qualified employment position requirements.

17 (c) The employment must include health insurance coverage for the
18 employee for which the employer pays at least fifty per cent of the premium
19 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
20 at least fifty per cent of a predetermined fixed cost per employee for an
21 insurance program that is payable whether or not the employee has filed
22 claims.

23 (d) The employer must pay compensation at least equal to the wage
24 offer by county as computed annually by the department of economic security
25 research administration division.

26 (e) The employee must have been employed for at least ninety days
27 during the first taxable year. An employee who is hired during the last
28 ninety days of the taxable year shall be considered a new employee during the
29 next taxable year. A qualified employment position that is filled during the
30 last ninety days of the taxable year is considered to be a new qualified
31 employment position for the next taxable year.

32 (f) The employee must not have been previously employed by the
33 taxpayer within twelve months before the current date of hire.

1 D. A credit is allowed for employment in the second and third year
2 only for qualified employment positions for which a credit was allowed and
3 claimed by the taxpayer on the original first and second year tax
4 returns. For the purposes of this subsection, the requirement to claim the
5 credit on the original tax return does not apply to qualified employment
6 positions created before January 1, 2002 and ~~were~~ certified to the department
7 of commerce.

8 E. The net increase in the number of qualified employment positions is
9 the lesser of the total number of filled qualified employment positions
10 created in the zone during the tax year or the difference between the average
11 number of full-time employees in the zone in the current tax year and the
12 average number of full-time employees during the immediately preceding
13 taxable year. The net increase in the number of qualified employment
14 positions computed under this subsection shall not exceed two hundred
15 qualified employment positions per taxpayer each year.

16 F. A taxpayer who claims a credit under section 43-1077, ~~or~~ 43-1079 OR
17 43-1083.01 shall not claim a credit under this section with respect to the
18 same ~~employees~~ EMPLOYMENT POSITIONS.

19 G. If the allowable tax credit exceeds the income taxes otherwise due
20 on the claimant's income, or if there are no state income taxes due on the
21 claimant's income, the amount of the claim not used as an offset against
22 income taxes may be carried forward as a tax credit against subsequent
23 taxable years' income tax liability, not to exceed five taxable years,
24 provided the business remains in an enterprise zone.

25 H. Co-owners of a business, including partners in a partnership and
26 shareholders of an S corporation, as defined in section 1361 of the internal
27 revenue code, may each claim only the pro rata share of the credit allowed
28 under this section based on the ownership interest. The total of the credits
29 allowed all such owners of the business may not exceed the amount that would
30 have been allowed for a sole owner of the business.

31 I. If a person purchases a business in a zone or changes ownership
32 through reorganization, stock purchase or merger, the new taxpayer may claim
33 first year credits only for one or more qualified employment positions that
34 it created and filled with an eligible employee after the purchase or
35 reorganization was complete. If a person purchases a taxpayer that had

1 qualified for first or second year credits or changes ownership through
2 reorganization, stock purchase or merger, the new taxpayer may claim the
3 second or third year credits if it meets other eligibility requirements of
4 this section. Credits for which a taxpayer qualified before the changes
5 described in this subsection are terminated and lost at the time the changes
6 are implemented.

7 J. A failure to timely report and certify to the department of
8 commerce and the department of revenue the information prescribed by section
9 41-1525, subsection B, paragraphs 1, 2 and 3 and in the manner prescribed by
10 section 41-1525, subsection C, ~~disqualifies~~ the taxpayer from the credit
11 under this section. The department of revenue shall require written evidence
12 of the timely report to the department of commerce.

13 K. The termination of an enterprise zone does not affect the credit
14 under this section with respect to:

15 1. Taxpayers who have employees in the second and third years of
16 employment in qualified employment positions under subsections A, B and C of
17 this section if the business remains in the location that was in the
18 enterprise zone.

19 2. Amounts carried forward into subsequent taxable years under
20 subsection G of this section.

21 L. The department may adopt rules necessary for the administration of
22 this section.

23 M. For the purposes of this section:

24 1. "Assigned to retail" means working more than twenty-five per cent
25 of an employee's time in one or more retail sales activities.

26 2. "Retail sales" means the sale of tangible personal property to an
27 ultimate consumer.

28 3. "Retail sales activities" means all activities persons operating a
29 retail business normally engage in, including taking orders, filling orders,
30 billing orders, receiving and processing payment and shipping, stocking and
31 delivering tangible personal property to the ultimate consumer, except drop
32 shipments by a company acting on behalf of an unrelated company that has made
33 a sale to a final consumer.

1 4. "Zone location" means a single parcel or contiguous parcels of
2 owned or leased land, the structures and personal property contained on the
3 land or any part of the structures occupied by a taxpayer.

4 Sec. 10. Section 43-1077, Arizona Revised Statutes, is amended to
5 read:

6 43-1077. Credit for employment by qualified defense contractor

7 A. A credit is allowed against the taxes imposed by this title for:

8 1. Net increases in employment under United States department of
9 defense contracts during the taxable year, as computed under subsection D of
10 this section, by a qualified defense contractor who is certified by the
11 department of commerce under section 41-1508.

12 2. Net increases in private commercial employment during the taxable
13 year, as computed under subsection E of this section, by a qualified defense
14 contractor who is certified by the department of commerce under section
15 41-1508 due to full-time equivalent employee positions transferred during the
16 taxable year by the taxpayer from exclusively defense related activities to
17 employment by the taxpayer in exclusively private commercial activities.

18 B. The amount of the credit is a dollar amount allowed for each
19 full-time equivalent employee position created, determined as follows:

20 1st year	\$2,500
21 2nd year	\$2,000
22 3rd year	\$1,500
23 4th year	\$1,000
24 5th year	\$ 500

25 C. If the allowable tax credit exceeds the taxes otherwise due under
26 this title on the claimant's income, or if there are no taxes due under this
27 title, the taxpayer may carry the amount of the claim not used to offset the
28 taxes under this title forward until taxable years beginning from and after
29 December 31, 2011 as a credit against subsequent years' income tax liability,
30 regardless of continuing certification as a qualified defense contractor.

31 D. The net increase in employment under defense related contracts
32 shall be determined as follows:

33 1. Establish an employment baseline for the taxpayer based on a
34 multiyear forecast of employment on United States department of defense
35 contracts that was submitted to the department of defense before June 1,

1 1992. The annual average employment forecast for the first year the taxpayer
2 qualified is the baseline. If the taxpayer did not make such a forecast
3 before June 1, 1992, the baseline is the average annual employment as
4 reported to the department of economic security during the preceding taxable
5 year. If a taxpayer qualifies in the same year it relocates into this state,
6 the taxpayer's baseline is zero.

7 2. For the first year of the credit, the taxpayer's net increase in
8 average employment is the increase in employment reported to the department
9 of economic security for the taxable year over the employment baseline.

10 3. For each succeeding year of the credit, the taxpayer's net increase
11 in average employment is the increase in employment reported to the
12 department of economic security for the taxable year over the preceding
13 taxable year's average employment.

14 E. In computing the amount of credit allowed under subsection A,
15 paragraph 2 of this section, the taxpayer shall:

16 1. Prorate employment during the taxable year according to the date of
17 transfer from defense to private commercial activities or the date of
18 transfer from private commercial activities to defense.

19 2. Compute and subtract an amount pursuant to subsection B of this
20 section for full-time equivalent employee positions that were transferred
21 during the taxable year by the taxpayer from exclusively private commercial
22 activities to exclusively defense related activities.

23 F. The taxpayer shall account for qualifying full-time equivalent
24 employee positions on a first-in first-out basis. If a decrease in
25 qualifying employment occurs, the taxpayer shall subtract the decrease from
26 the earliest qualifying positions.

27 G. A credit is not allowed under both subsection A, paragraphs 1 and 2
28 of this section with respect to the same employee position. A full-time
29 equivalent employee position may be considered for purposes of computing the
30 credit under either subsection A, paragraph 1 or 2 of this section, but not
31 both.

32 H. A credit is not allowed under this section with respect to
33 employment that was transferred from an outside contractor in this state to
34 in-house employment by the taxpayer solely for purposes of qualifying for the
35 credit.

1 I. A taxpayer who claims a credit under section 43-1074, ~~or~~ 43-1079 OR
2 43-1083.01 may not claim a credit under this section with respect to the same
3 ~~employees~~ EMPLOYEE POSITIONS.

4 J. Co-owners of a business, including partners in a partnership and
5 shareholders of an S corporation, as defined in section 1361 of the internal
6 revenue code, may each claim only the pro rata share of the credit allowed
7 under this section based on the ownership interest. The total of the credits
8 allowed all such owners may not exceed the amount that would have been
9 allowed for a sole owner of the business.

10 Sec. 11. Section 43-1079, Arizona Revised Statutes, is amended to
11 read:

12 43-1079. Credit for increased employment in military reuse
13 zones; definition

14 A. A credit is allowed against the taxes imposed by this title for net
15 increases in employment by the taxpayer of full-time employees working in a
16 military reuse zone, established under title 41, chapter 10, article 3, and
17 who are primarily engaged in providing aviation or aerospace services or in
18 manufacturing, assembling or fabricating aviation or aerospace products. The
19 amount of the credit is a dollar amount allowed for each new employee,
20 determined as follows:

21 1. With respect to each employee other than a dislocated military base
22 employee:

23 1st year of employment	\$ 500
24 2nd year of employment	\$1,000
25 3rd year of employment	\$1,500
26 4th year of employment	\$2,000
27 5th year of employment	\$2,500

28 2. With respect to each dislocated military base employee:

29 1st year of employment	\$1,000
30 2nd year of employment	\$1,500
31 3rd year of employment	\$2,000
32 4th year of employment	\$2,500
33 5th year of employment	\$3,000

34 B. If the allowable tax credit exceeds the taxes otherwise due under
35 this title on the claimant's income, or if there are no taxes due under this

1 title, the amount of the claim not used to offset the taxes under this title
2 may be carried forward as a credit against subsequent years' income tax
3 liability for the period, not to exceed five taxable years, if the business
4 remains in the military reuse zone.

5 C. The net increase in the number of employees for purposes of this
6 section shall be determined by comparing the taxpayer's average employment in
7 the military reuse zone during the taxable year with the taxpayer's previous
8 year's fourth quarter employment in the zone, based on the taxpayer's report
9 to the department of economic security for unemployment insurance purposes
10 but considering only employment in the zone.

11 D. Co-owners of a business, including partners in a partnership and
12 shareholders of an S corporation, as defined in section 1361 of the internal
13 revenue code, may each claim only the pro rata share of the credit allowed
14 under this section based on the ownership interest. The total of the credits
15 allowed all such owners may not exceed the amount that would have been
16 allowed for a sole owner of the business.

17 E. A credit is not allowed under this section with respect to an
18 employee whose place of employment is relocated by the taxpayer from a
19 location in this state to the military reuse zone, unless the employee is
20 engaged in aviation or aerospace services or in manufacturing, assembling or
21 fabricating aviation or aerospace products and the taxpayer maintains at
22 least the same number of employees in this state but outside the zone.

23 F. A taxpayer who claims a credit under section 43-1074, ~~or~~ 43-1077 **OR**
24 **43-1083.01** may not claim a credit under this section with respect to the same
25 employees.

26 G. For the purposes of this section, "dislocated military base
27 employee" means a civilian who previously had permanent full-time civilian
28 employment on the military facility as of the date the closure of the
29 facility was finally determined under federal law, as certified by the
30 department of commerce.

31 Sec. 12. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
32 amended by adding section 43-1083.01, to read:

33 **43-1083.01. Credit for solar energy industry**

34 **A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2009, A**
35 **CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR QUALIFIED**

1 INVESTMENT AND EMPLOYMENT IN EXPANDING OR LOCATING QUALIFIED SOLAR ENERGY
2 TECHNOLOGIES OPERATIONS IN THIS STATE. TO QUALIFY FOR THE CREDIT, THE
3 TAXPAYER MUST INVEST IN SOLAR ENERGY TECHNOLOGIES MANUFACTURING, OR IN NEW
4 REGIONAL, NATIONAL OR GLOBAL SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS,
5 IN THIS STATE AND PRODUCE NEW FULL-TIME EMPLOYMENT POSITIONS WHERE THE JOB
6 DUTIES ARE PERFORMED AT THE LOCATION OF THE QUALIFYING INVESTMENT AS PROVIDED
7 BY SECTION 41-1510.02.

8 B. THE AMOUNT OF THE CREDIT IS COMPUTED AS FOLLOWS:

9 1. TEN PER CENT OF THE TAXPAYER'S TOTAL CAPITAL INVESTMENT IN PROJECTS
10 MEETING THE FOLLOWING MINIMUM EMPLOYMENT REQUIREMENTS:

11 (a) FOR QUALIFYING SOLAR ENERGY TECHNOLOGIES MANUFACTURING OPERATIONS,
12 AT LEAST ONE AND ONE-HALF NEW FULL-TIME EMPLOYMENT POSITIONS FOR EACH FIVE
13 HUNDRED THOUSAND DOLLAR INCREMENT OF CAPITAL INVESTMENT.

14 (b) FOR QUALIFYING SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS, AT
15 LEAST ONE NEW FULL-TIME EMPLOYMENT POSITION FOR EACH TWO HUNDRED THOUSAND
16 DOLLAR INCREMENT OF CAPITAL INVESTMENT.

17 2. FOR A QUALIFYING SOLAR ENERGY TECHNOLOGIES PROJECT THAT DOES NOT
18 MEET THE EMPLOYMENT REQUIREMENTS PRESCRIBED BY PARAGRAPH 1, TEN PER CENT OF
19 THE AMOUNT COMPUTED AS FOLLOWS:

20 (a) FIVE HUNDRED THOUSAND DOLLARS PER ONE AND ONE-HALF NEW FULL-TIME
21 EMPLOYMENT POSITIONS IN NEW SOLAR ENERGY TECHNOLOGIES MANUFACTURING
22 OPERATIONS.

23 (b) TWO HUNDRED THOUSAND DOLLARS FOR EACH NEW FULL-TIME EMPLOYMENT
24 POSITION AT A NEW SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS.

25 (c) THE AMOUNT OF CREDIT UNDER THIS PARAGRAPH SHALL NOT EXCEED TEN PER
26 CENT OF THE AMOUNT OF THE TAXPAYER'S TOTAL CAPITAL INVESTMENT.

27 3. THE CREDIT AMOUNT COMPUTED UNDER PARAGRAPH 1 OR 2 OF THIS
28 SUBSECTION IS APPORTIONED, AND THE TAXPAYER SHALL CLAIM THE CREDIT IN FIVE
29 EQUAL ANNUAL INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS.

30 C. TO CLAIM THE CREDIT THE TAXPAYER MUST:

31 1. CONDUCT A BUSINESS THAT QUALIFIES UNDER SECTION 41-1510.02.

32 2. SUBMIT A COPY OF A CURRENT AND VALID CERTIFICATION OF QUALIFICATION
33 ISSUED TO THE TAXPAYER BY THE DEPARTMENT OF COMMERCE.

34 D. TO BE COUNTED FOR THE PURPOSES OF THE CREDIT, AN EMPLOYEE MUST HAVE
35 BEEN EMPLOYED AT THE QUALIFYING BUSINESS LOCATION FOR AT LEAST NINETY DAYS

1 DURING THE TAXABLE YEAR IN A PERMANENT FULL-TIME EMPLOYMENT POSITION OF AT
2 LEAST ONE THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR. AN EMPLOYEE WHO IS
3 HIRED DURING THE LAST NINETY DAYS OF THE TAXABLE YEAR SHALL BE CONSIDERED A
4 NEW EMPLOYEE DURING THE NEXT TAXABLE YEAR. TO BE COUNTED FOR THE PURPOSES OF
5 THE CREDIT DURING THE FIRST TAXABLE YEAR OF EMPLOYMENT, THE EMPLOYEE MUST NOT
6 HAVE BEEN PREVIOUSLY EMPLOYED BY THE TAXPAYER WITHIN TWELVE MONTHS BEFORE THE
7 CURRENT DATE OF HIRE. THE TERMS OF EMPLOYMENT MUST COMPLY IN ALL CASES WITH
8 THE REQUIREMENTS OF SECTION 41-1510.02 AND CERTIFICATION BY THE DEPARTMENT OF
9 COMMERCE.

10 E. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
11 SHAREHOLDERS OF AN S CORPORATION, AS DEFINED IN SECTION 1361 OF THE INTERNAL
12 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED
13 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
14 ALLOWED ALL SUCH OWNERS OF THE BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD
15 HAVE BEEN ALLOWED FOR A SOLE OWNER OF THE BUSINESS.

16 F. IF THE ALLOWABLE TAX CREDIT FOR A TAXABLE YEAR EXCEEDS THE INCOME
17 TAXES OTHERWISE DUE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO STATE INCOME
18 TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN
19 OFFSET AGAINST INCOME TAXES MAY BE CARRIED FORWARD AS A TAX CREDIT AGAINST
20 SUBSEQUENT YEARS' INCOME TAX LIABILITY FOR A PERIOD NOT TO EXCEED FIVE
21 TAXABLE YEARS, AND SUBJECT TO CONTINUING CERTIFICATION UNDER SECTION
22 41-1510.02.

23 G. ALL OR PART OF ANY UNCLAIMED AMOUNT OF CREDIT UNDER THIS SECTION
24 MAY BE SOLD OR OTHERWISE TRANSFERRED, UNDER TERMS MUTUALLY AGREEABLE BETWEEN
25 THE TRANSFEROR AND TRANSFeree, BUT SUBJECT TO THE FOLLOWING CONDITIONS:

26 1. A SINGLE SALE OR TRANSFER MAY INVOLVE ONE OR MORE TRANSFEREES, AND
27 ANY TRANSFeree MAY IN TURN RESELL OR TRANSFER THE CREDIT SUBJECT TO THE SAME
28 CONDITIONS OF THIS SUBSECTION.

29 2. BOTH THE TRANSFEROR AND TRANSFeree MUST SUBMIT A WRITTEN NOTICE OF
30 THE TRANSFER TO THE DEPARTMENT OF REVENUE WITHIN THIRTY DAYS AFTER THE SALE
31 OR TRANSFER. THE TRANSFeree'S NOTICE SHALL INCLUDE A PROCESSING FEE EQUAL TO
32 ONE PER CENT OF THE TRANSFeree'S TAX CREDIT BALANCE OR TWO HUNDRED DOLLARS,
33 WHICHEVER IS LESS. THE NOTICE SHALL INCLUDE:

34 (a) THE NAMES OF THE TRANSFEROR AND TRANSFeree.

35 (b) THE DATE OF THE TRANSFER.

1 (c) THE AMOUNT OF THE TRANSFER.

2 (d) THE TRANSFEROR'S TAX CREDIT BALANCE BEFORE THE TRANSFER AND THE
3 REMAINING BALANCE AFTER THE TRANSFER.

4 (e) ALL TAX IDENTIFICATION NUMBERS FOR BOTH TRANSFEROR AND TRANSFEREE.

5 (f) ANY OTHER INFORMATION REQUIRED BY RULE.

6 3. A SALE OR TRANSFER OF THE CREDIT DOES NOT EXTEND THE TIME IN WHICH
7 THE CREDIT CAN BE USED. THE TRANSFEREE MUST TAKE THE CREDIT IN FIVE EQUAL
8 ANNUAL INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS AS DESCRIBED IN
9 SUBSECTION B, PARAGRAPH 3 OF THIS SECTION.

10 4. THE TRANSFEROR, AT ITS EXPENSE, MUST ENTER INTO A LIMITED MANAGED
11 AUDIT AGREEMENT PURSUANT TO TITLE 42, CHAPTER 2, ARTICLE 7 THAT INCLUDES AN
12 AUDIT OF THE REQUIREMENTS PRESCRIBED BY SECTION 41-1510.02 AND BY THIS
13 SECTION TO CONFIRM THE AMOUNT OF ANY CREDIT UNDER THIS SECTION. THE REQUEST
14 TO ENTER INTO THE AUDIT MUST BE MADE AFTER THE TAXPAYER IS CERTIFIED PURSUANT
15 TO SECTION 41-1510.02, SUBSECTION F. THE AUDIT MUST BE CONDUCTED BY THE
16 TAXPAYER'S AUTHORIZED REPRESENTATIVE, AS DEFINED BY SECTION 42-2301, WHO IS
17 AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT LICENSED IN THIS STATE. THE
18 CERTIFIED PUBLIC ACCOUNTANT AND THE FIRM THE CERTIFIED PUBLIC ACCOUNTANT IS
19 AFFILIATED WITH SHALL NOT REGULARLY PERFORM SERVICES FOR THE TAXPAYER OR ANY
20 AFFILIATE OF THE TAXPAYER. IF THE DEPARTMENT OF REVENUE ACCEPTS THE FINDINGS
21 OF THE AUDIT AND ISSUES A NOTICE OF DETERMINATION PURSUANT TO SECTION 42-2303
22 AND THE TAXPAYER TIMELY FILES ITS INCOME TAX RETURNS WITH THE APPROPRIATE
23 CREDIT CLAIM FORMS, THE CREDIT AMOUNT MAY BE TRANSFERRED. THE DEPARTMENT
24 SHALL ISSUE A NOTICE OF DETERMINATION INCLUDING A WRITTEN CERTIFICATE TO THE
25 TAXPAYER STATING THE AMOUNT OF THE CREDIT AND THAT THE CREDIT MAY BE
26 TRANSFERRED. THIS PARAGRAPH DOES NOT PREVENT RECAPTURE OF A CREDIT AMOUNT IF
27 THE TAXPAYER FAILED TO DISCLOSE MATERIAL INFORMATION DURING THE AUDIT OR
28 FALSIFIED ITS BOOKS OR RECORDS OR OTHERWISE ENGAGED IN AN ACTION THAT
29 PREVENTED AN ACCURATE AUDIT.

30 H. EXCEPT AS PROVIDED BY SUBSECTION I OF THIS SECTION, IF, WITHIN TEN
31 TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT PURSUANT TO THIS SECTION, THE
32 CERTIFICATION OF QUALIFICATION OF A BUSINESS IS TERMINATED OR REVOKED UNDER
33 SECTION 41-1510.02, OTHER THAN FOR REASONS BEYOND THE CONTROL OF THE BUSINESS
34 AS DETERMINED BY THE DEPARTMENT OF COMMERCE, THE TAXPAYER IS PERMANENTLY
35 DISQUALIFIED FROM CREDITS UNDER THIS SECTION IN SUBSEQUENT TAXABLE YEARS AND

1 THE CREDITS ALLOWED THE TAXPAYER IN ALL TAXABLE YEARS PURSUANT TO THIS
2 SECTION ARE SUBJECT TO RECAPTURE PURSUANT TO THIS SUBSECTION. IF THE CREDIT
3 HAS BEEN TRANSFERRED PURSUANT TO SUBSECTION G OF THIS SECTION, ANY RECAPTURE
4 PURSUANT TO THIS SUBSECTION IS FROM THE ORIGINAL TAXPAYER. THIS SUBSECTION
5 APPLIES ONLY IN THE CASE OF THE TERMINATION OR REVOCATION OF A CERTIFICATION
6 OF QUALIFICATION UNDER SECTION 41-1510.02. THIS SUBSECTION DOES NOT APPLY
7 IF, IN ANY TAXABLE YEAR, A TAXPAYER OTHERWISE DOES NOT QUALIFY FOR OR FAILS
8 TO CLAIM THE CREDIT UNDER THIS SECTION. THE RECAPTURE OF CREDITS IS COMPUTED
9 BY INCREASING THE AMOUNT OF TAXES IMPOSED IN THE YEAR FOLLOWING THE YEAR OF
10 TERMINATION OR REVOCATION BY THE FULL AMOUNT OF ALL CREDITS PREVIOUSLY
11 ALLOWED UNDER THIS SECTION WITH ANNUAL SIMPLE INTEREST EQUAL TO THE PRIME
12 RATE CHARGED BY BANKS ON SHORT-TERM BUSINESS LOANS AS DETERMINED FOR
13 PUBLICATION IN THE BULLETIN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE
14 SYSTEM AS OF THE FIRST DAY OF EACH TAXABLE YEAR, PLUS TWO PER CENT.

15 I. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1074, 43-1077 OR
16 43-1079 MAY NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME
17 FULL-TIME EMPLOYMENT POSITIONS.

18 J. FOR THE PURPOSES OF THIS SECTION, SOLAR ENERGY TECHNOLOGIES ARE
19 LIMITED TO SYSTEMS AND COMPONENTS THAT ARE USED OR USEFUL FOR THE
20 MANUFACTURING OF SOLAR ENERGY DEVICES, AS DEFINED IN SECTION 44-1761, OR FOR
21 THE GENERATION, STORAGE, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FROM
22 SOLAR RENEWABLE RESOURCES, INCLUDING PHOTOVOLTAIC AND CONCENTRATED SOLAR
23 POWER AND SOLAR THERMAL PROCESS USED OR USEFUL IN GENERATING ELECTRICITY.

24 Sec. 13. Section 43-1161, Arizona Revised Statutes, is amended to
25 read:

26 43-1161. Credit for increased employment in enterprise zones;
27 definitions

28 A. A credit is allowed against the taxes imposed by this title for net
29 increases in qualified employment positions of residents of this state by a
30 business located in an enterprise zone established under title 41, chapter
31 10, article 2, except employment positions at a zone location where more than
32 ten per cent of the business conducted at the location consists of retail
33 sales of tangible personal property, measured by either the number of
34 employees assigned to retail sales or the square footage of the facility used

1 for retail sales activities at the location in the zone. Retail sales and
2 retail sales activities do not include:

3 1. Food and beverage for consumption on the premises solely by
4 employees and occasional guests of employees at the location.

5 2. Promotional products not available for sale and displaying the
6 company logo or trademark.

7 3. Products sold to company employees.

8 B. Subject to subsection E of this section, the amount of the credit
9 is equal to:

10 1. One-fourth of the taxable wages paid to an employee in a qualified
11 employment position, not to exceed five hundred dollars, in the first year or
12 partial year of employment.

13 2. One-third of the taxable wages paid to an employee in a qualified
14 employment position, not to exceed one thousand dollars per qualified
15 employment position, in the second year of continuous employment.

16 3. One-half of the taxable wages paid to an employee in a qualified
17 employment position, not to exceed one thousand five hundred dollars per
18 qualified employment position, in the third year of continuous employment.

19 C. To qualify for a credit under this section:

20 1. All of the employees with respect to whom a credit is claimed must
21 reside in this state.

22 2. Thirty-five per cent of the employees with respect to whom a credit
23 is claimed for the first year of employment must reside on the date of hire
24 in an enterprise zone that is located in the same county in which the
25 business is located. If an employee for whom a credit was allowed in the
26 first year of employment leaves employment during the second or third year,
27 the taxpayer may substitute another employee who meets the requirements of
28 paragraph 3 of this subsection and who was hired during the same year as the
29 original employee. If the original employee was counted toward the residency
30 requirement under this paragraph, the substitute employee must also have
31 resided in a zone at the time the substitute was hired.

32 3. A qualified employment position must meet all of the following
33 requirements:

34 (a) The position must be a minimum of one thousand seven hundred fifty
35 hours per year of full-time and permanent employment.

1 (b) The job duties must be performed primarily at the zone locations
2 of the business. If an eligible employee in a qualified employment position
3 is transferred or assigned to work in the taxpayer's workplace at a different
4 location that is also located in an enterprise zone and qualifies as a zone
5 location, it may be considered to be continuous employment if it continues to
6 meet all qualified employment position requirements.

7 (c) The employment must include health insurance coverage for the
8 employee for which the employer pays at least fifty per cent of the premium
9 or membership cost. If the taxpayer is self-insured, the taxpayer must pay
10 at least fifty per cent of a predetermined fixed cost per employee for an
11 insurance program that is payable whether or not the employee has filed
12 claims.

13 (d) The employer must pay compensation at least equal to the wage
14 offer by county as computed annually by the department of economic security
15 research administration division.

16 (e) The employee must have been employed for at least ninety days
17 during the first taxable year. An employee who is hired during the last
18 ninety days of the taxable year shall be considered a new employee during the
19 next taxable year. A qualified employment position that is filled during the
20 last ninety days of the taxable year is considered to be a new qualified
21 employment position for the next taxable year.

22 (f) The employee must not have been previously employed by the
23 taxpayer within twelve months before the current date of hire.

24 D. A credit is allowed for employment in the second and third year
25 only for qualified employment positions for which a credit was allowed and
26 claimed by the taxpayer on the original first and second year tax returns.
27 For the purposes of this subsection, the requirement to claim the credit on
28 the original tax return does not apply to qualified employment positions
29 created before January 1, 2002 and ~~were~~ certified to the department of
30 commerce.

31 E. The net increase in the number of qualified employment positions is
32 the lesser of the total number of filled qualified employment positions
33 created in the zone during the tax year or the difference between the average
34 number of full-time employees in the zone in the current tax year and the
35 average number of full-time employees during the immediately preceding

1 taxable year. The net increase in the number of qualified employment
2 positions computed under this subsection may not exceed two hundred qualified
3 employment positions per taxpayer each year.

4 F. A taxpayer who claims a credit under section 43-1164.01, 43-1165 or
5 43-1167 may not claim a credit under this section with respect to the same
6 ~~employees~~ EMPLOYMENT POSITIONS.

7 G. If the allowable tax credit exceeds the income taxes otherwise due
8 on the claimant's income, or if there are no state income taxes due on the
9 claimant's income, the amount of the claim not used as an offset against
10 income taxes may be carried forward as a tax credit against subsequent years'
11 income tax liability for the period, not to exceed five taxable years,
12 provided the business remains in an enterprise zone.

13 H. Co-owners of a business, including partners in a partnership, may
14 each claim only the pro rata share of the credit allowed under this section
15 based on the ownership interest. The total of the credits allowed all such
16 owners of the business may not exceed the amount that would have been allowed
17 for a sole owner of the business.

18 I. If a person purchases a business in a zone or changes ownership
19 through reorganization, stock purchase or merger, the new taxpayer may claim
20 first year credits only for one or more qualified employment positions that
21 it created and filled with an eligible employee after the purchase or
22 reorganization was complete. If a person purchases a taxpayer that had
23 qualified for first or second year credits or changes ownership through
24 reorganization, stock purchase or merger, the new taxpayer may claim the
25 second or third year credits if it meets other eligibility requirements of
26 this section. Credits for which a taxpayer qualified before the changes
27 described in this subsection are terminated and lost at the time the changes
28 are implemented.

29 J. A failure to timely report and certify to the department of
30 commerce and the department of revenue the information prescribed by section
31 41-1525, subsection B, paragraphs 1, 2 and 3 and in the manner prescribed by
32 section 41-1525, subsection C, ~~disqualifies~~ disqualifies the taxpayer from the credit
33 under this section. The department of revenue shall require written evidence
34 of the timely report to the department of commerce.

1 K. The termination of an enterprise zone does not affect the credit
2 under this section with respect to:

3 1. Taxpayers that have employees in the second and third years of
4 employment in qualified employment positions under subsections A, B and C of
5 this section if the business remains in the location that was in the
6 enterprise zone.

7 2. Amounts carried forward into subsequent taxable years under
8 subsection G of this section.

9 L. The department may adopt rules necessary for the administration of
10 this section.

11 M. For the purposes of this section:

12 1. "Assigned to retail" means working more than twenty-five per cent
13 of an employee's time in one or more retail sales activities.

14 2. "Retail sales" means the sale of tangible personal property to an
15 ultimate consumer.

16 3. "Retail sales activities" means all activities persons operating a
17 retail business normally engage in, including taking orders, filling orders,
18 billing orders, receiving and processing payment and shipping, stocking and
19 delivering tangible personal property to the ultimate consumer, except drop
20 shipments by a company acting on behalf of an unrelated company that has made
21 a sale to a final consumer.

22 4. "Zone location" means a single parcel or contiguous parcels of
23 owned or leased land, the structures and personal property contained on the
24 land or any part of the structures occupied by a taxpayer.

25 Sec. 14. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
26 amended by adding section 43-1164.01, to read:

27 43-1164.01. Credit for solar energy industry

28 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2009, A
29 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR QUALIFIED
30 INVESTMENT AND EMPLOYMENT IN EXPANDING OR LOCATING QUALIFIED SOLAR ENERGY
31 TECHNOLOGIES OPERATIONS IN THIS STATE. TO QUALIFY FOR THE CREDIT, THE
32 TAXPAYER MUST INVEST IN SOLAR ENERGY TECHNOLOGIES MANUFACTURING, OR IN NEW
33 REGIONAL, NATIONAL OR GLOBAL SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS,
34 IN THIS STATE AND PRODUCE NEW FULL-TIME EMPLOYMENT POSITIONS WHERE THE JOB

1 DUTIES ARE PERFORMED AT THE LOCATION OF THE QUALIFYING INVESTMENT AS PROVIDED
2 BY SECTION 41-1510.02.

3 B. THE AMOUNT OF THE CREDIT IS COMPUTED AS FOLLOWS:

4 1. TEN PER CENT OF THE TAXPAYER'S TOTAL CAPITAL INVESTMENT IN PROJECTS
5 MEETING THE FOLLOWING MINIMUM EMPLOYMENT REQUIREMENTS:

6 (a) FOR QUALIFYING SOLAR ENERGY TECHNOLOGIES MANUFACTURING OPERATIONS,
7 AT LEAST ONE AND ONE-HALF NEW FULL-TIME EMPLOYMENT POSITIONS FOR EACH FIVE
8 HUNDRED THOUSAND DOLLAR INCREMENT OF CAPITAL INVESTMENT.

9 (b) FOR QUALIFYING SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS, AT
10 LEAST ONE NEW FULL-TIME EMPLOYMENT POSITION FOR EACH TWO HUNDRED THOUSAND
11 DOLLAR INCREMENT OF CAPITAL INVESTMENT.

12 2. FOR A QUALIFYING SOLAR ENERGY TECHNOLOGIES PROJECT THAT DOES NOT
13 MEET THE EMPLOYMENT REQUIREMENTS PRESCRIBED BY PARAGRAPH 1, TEN PER CENT OF
14 THE AMOUNT COMPUTED AS FOLLOWS:

15 (a) FIVE HUNDRED THOUSAND DOLLARS PER ONE AND ONE-HALF NEW FULL-TIME
16 EMPLOYMENT POSITIONS IN NEW SOLAR ENERGY TECHNOLOGIES MANUFACTURING
17 OPERATIONS.

18 (b) TWO HUNDRED THOUSAND DOLLARS FOR EACH NEW FULL-TIME EMPLOYMENT
19 POSITION AT A NEW SOLAR ENERGY TECHNOLOGIES BUSINESS HEADQUARTERS.

20 (c) THE AMOUNT OF CREDIT UNDER THIS PARAGRAPH SHALL NOT EXCEED TEN PER
21 CENT OF THE AMOUNT OF THE TAXPAYER'S TOTAL CAPITAL INVESTMENT.

22 3. THE CREDIT AMOUNT COMPUTED UNDER PARAGRAPH 1 OR 2 OF THIS
23 SUBSECTION IS APPORTIONED, AND THE TAXPAYER SHALL CLAIM THE CREDIT IN FIVE
24 EQUAL ANNUAL INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS.

25 C. TO CLAIM THE CREDIT THE TAXPAYER MUST:

26 1. CONDUCT A BUSINESS THAT QUALIFIES UNDER SECTION 41-1510.02.

27 2. SUBMIT A COPY OF A CURRENT AND VALID CERTIFICATION OF QUALIFICATION
28 ISSUED TO THE TAXPAYER BY THE DEPARTMENT OF COMMERCE.

29 D. TO BE COUNTED FOR THE PURPOSES OF THE CREDIT, AN EMPLOYEE MUST HAVE
30 BEEN EMPLOYED AT THE QUALIFYING BUSINESS LOCATION FOR AT LEAST NINETY DAYS
31 DURING THE TAXABLE YEAR IN A PERMANENT FULL-TIME EMPLOYMENT POSITION OF AT
32 LEAST ONE THOUSAND SEVEN HUNDRED FIFTY HOURS PER YEAR. AN EMPLOYEE WHO IS
33 HIRED DURING THE LAST NINETY DAYS OF THE TAXABLE YEAR SHALL BE CONSIDERED A
34 NEW EMPLOYEE DURING THE NEXT TAXABLE YEAR. TO BE COUNTED FOR THE PURPOSES OF
35 THE CREDIT DURING THE FIRST TAXABLE YEAR OF EMPLOYMENT, THE EMPLOYEE MUST NOT

1 HAVE BEEN PREVIOUSLY EMPLOYED BY THE TAXPAYER WITHIN TWELVE MONTHS BEFORE THE
2 CURRENT DATE OF HIRE. THE TERMS OF EMPLOYMENT MUST COMPLY IN ALL CASES WITH
3 THE REQUIREMENTS OF SECTION 41-1510.02 AND CERTIFICATION BY THE DEPARTMENT OF
4 COMMERCE.

5 E. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP, MAY
6 EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION
7 BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL SUCH
8 OWNERS OF THE BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED
9 FOR A SOLE OWNER OF THE BUSINESS.

10 F. IF THE ALLOWABLE TAX CREDIT FOR A TAXABLE YEAR EXCEEDS THE INCOME
11 TAXES OTHERWISE DUE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO STATE INCOME
12 TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN
13 OFFSET AGAINST INCOME TAXES MAY BE CARRIED FORWARD AS A TAX CREDIT AGAINST
14 SUBSEQUENT YEARS' INCOME TAX LIABILITY FOR A PERIOD NOT TO EXCEED FIVE
15 TAXABLE YEARS, AND SUBJECT TO CONTINUING CERTIFICATION UNDER SECTION
16 41-1510.02.

17 G. ALL OR PART OF ANY UNCLAIMED AMOUNT OF CREDIT UNDER THIS SECTION
18 MAY BE SOLD OR OTHERWISE TRANSFERRED, UNDER TERMS MUTUALLY AGREEABLE BETWEEN
19 THE TRANSFEROR AND TRANSFEREE, BUT SUBJECT TO THE FOLLOWING CONDITIONS:

20 1. A SINGLE SALE OR TRANSFER MAY INVOLVE ONE OR MORE TRANSFEREES, AND
21 ANY TRANSFEREE MAY IN TURN RESELL OR TRANSFER THE CREDIT SUBJECT TO THE SAME
22 CONDITIONS OF THIS SUBSECTION.

23 2. BOTH THE TRANSFEROR AND TRANSFEREE MUST SUBMIT A WRITTEN NOTICE OF
24 THE TRANSFER TO THE DEPARTMENT OF REVENUE WITHIN THIRTY DAYS AFTER THE SALE
25 OR TRANSFER. THE TRANSFEREE'S NOTICE SHALL INCLUDE A PROCESSING FEE EQUAL TO
26 ONE PER CENT OF THE TRANSFEREE'S TAX CREDIT BALANCE OR TWO HUNDRED DOLLARS,
27 WHICHEVER IS LESS. THE NOTICE SHALL INCLUDE:

- 28 (a) THE NAMES OF THE TRANSFEROR AND TRANSFEREE.
29 (b) THE DATE OF THE TRANSFER.
30 (c) THE AMOUNT OF THE TRANSFER.
31 (d) THE TRANSFEROR'S TAX CREDIT BALANCE BEFORE THE TRANSFER AND THE
32 REMAINING BALANCE AFTER THE TRANSFER.
33 (e) ALL TAX IDENTIFICATION NUMBERS FOR BOTH TRANSFEROR AND TRANSFEREE.
34 (f) ANY OTHER INFORMATION REQUIRED BY RULE.

1 3. A SALE OR TRANSFER OF THE CREDIT DOES NOT EXTEND THE TIME IN WHICH
2 THE CREDIT CAN BE USED. THE TRANSFEREE MUST TAKE THE CREDIT IN FIVE EQUAL
3 ANNUAL INSTALLMENTS IN EACH OF FIVE CONSECUTIVE TAXABLE YEARS AS DESCRIBED IN
4 SUBSECTION B, PARAGRAPH 3 OF THIS SECTION.

5 4. THE TRANSFEROR, AT ITS EXPENSE, MUST ENTER INTO A LIMITED MANAGED
6 AUDIT AGREEMENT PURSUANT TO TITLE 42, CHAPTER 2, ARTICLE 7 THAT INCLUDES AN
7 AUDIT OF THE REQUIREMENTS PRESCRIBED BY SECTION 41-1510.02 AND BY THIS
8 SECTION TO CONFIRM THE AMOUNT OF ANY CREDIT UNDER THIS SECTION. THE REQUEST
9 TO ENTER INTO THE AUDIT MUST BE MADE AFTER THE TAXPAYER IS CERTIFIED PURSUANT
10 TO SECTION 41-1510.02, SUBSECTION F. THE AUDIT MUST BE CONDUCTED BY THE
11 TAXPAYER'S AUTHORIZED REPRESENTATIVE, AS DEFINED BY SECTION 42-2301, WHO IS
12 AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT LICENSED IN THIS STATE. THE
13 CERTIFIED PUBLIC ACCOUNTANT AND THE FIRM THE CERTIFIED PUBLIC ACCOUNTANT IS
14 AFFILIATED WITH SHALL NOT REGULARLY PERFORM SERVICES FOR THE TAXPAYER OR ANY
15 AFFILIATE OF THE TAXPAYER. IF THE DEPARTMENT OF REVENUE ACCEPTS THE FINDINGS
16 OF THE AUDIT AND ISSUES A NOTICE OF DETERMINATION PURSUANT TO SECTION 42-2303
17 AND THE TAXPAYER TIMELY FILES ITS INCOME TAX RETURNS WITH THE APPROPRIATE
18 CREDIT CLAIM FORMS, THE CREDIT AMOUNT MAY BE TRANSFERRED. THE DEPARTMENT
19 SHALL ISSUE A NOTICE OF DETERMINATION INCLUDING A WRITTEN CERTIFICATE TO THE
20 TAXPAYER STATING THE AMOUNT OF THE CREDIT AND THAT THE CREDIT MAY BE
21 TRANSFERRED. THIS PARAGRAPH DOES NOT PREVENT RECAPTURE OF A CREDIT AMOUNT IF
22 THE TAXPAYER FAILED TO DISCLOSE MATERIAL INFORMATION DURING THE AUDIT OR
23 FALSIFIED ITS BOOKS OR RECORDS OR OTHERWISE ENGAGED IN AN ACTION THAT
24 PREVENTED AN ACCURATE AUDIT.

25 H. EXCEPT AS PROVIDED BY SUBSECTION I OF THIS SECTION, IF, WITHIN TEN
26 TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT PURSUANT TO THIS SECTION, THE
27 CERTIFICATION OF QUALIFICATION OF A BUSINESS IS TERMINATED OR REVOKED UNDER
28 SECTION 41-1510.02, OTHER THAN FOR REASONS BEYOND THE CONTROL OF THE BUSINESS
29 AS DETERMINED BY THE DEPARTMENT OF COMMERCE, THE TAXPAYER IS PERMANENTLY
30 DISQUALIFIED FROM CREDITS UNDER THIS SECTION IN SUBSEQUENT TAXABLE YEARS AND
31 THE CREDITS ALLOWED THE TAXPAYER IN ALL TAXABLE YEARS PURSUANT TO THIS
32 SECTION ARE SUBJECT TO RECAPTURE PURSUANT TO THIS SUBSECTION. IF THE CREDIT
33 HAS BEEN TRANSFERRED PURSUANT TO SUBSECTION G OF THIS SECTION, ANY RECAPTURE
34 PURSUANT TO THIS SUBSECTION IS FROM THE ORIGINAL TAXPAYER. THIS SUBSECTION
35 APPLIES ONLY IN THE CASE OF THE TERMINATION OR REVOCATION OF A CERTIFICATION

1 OF QUALIFICATION UNDER SECTION 41-1510.02. THIS SUBSECTION DOES NOT APPLY
2 IF, IN ANY TAXABLE YEAR, A TAXPAYER OTHERWISE DOES NOT QUALIFY FOR OR FAILS
3 TO CLAIM THE CREDIT UNDER THIS SECTION. THE RECAPTURE OF CREDITS IS COMPUTED
4 BY INCREASING THE AMOUNT OF TAXES IMPOSED IN THE YEAR FOLLOWING THE YEAR OF
5 TERMINATION OR REVOCATION BY THE FULL AMOUNT OF ALL CREDITS PREVIOUSLY
6 ALLOWED UNDER THIS SECTION WITH ANNUAL SIMPLE INTEREST EQUAL TO THE PRIME
7 RATE CHARGED BY BANKS ON SHORT-TERM BUSINESS LOANS AS DETERMINED FOR
8 PUBLICATION IN THE BULLETIN OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE
9 SYSTEM AS OF THE FIRST DAY OF EACH TAXABLE YEAR, PLUS TWO PER CENT.

10 I. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1161, 43-1165 OR
11 43-1167 MAY NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME
12 FULL-TIME EMPLOYMENT POSITIONS.

13 J. FOR THE PURPOSES OF THIS SECTION SOLAR ENERGY TECHNOLOGIES ARE
14 LIMITED TO SYSTEMS AND COMPONENTS THAT ARE USED OR USEFUL FOR THE
15 MANUFACTURING OF SOLAR ENERGY DEVICES, AS DEFINED IN SECTION 44-1761, OR FOR
16 THE GENERATION, STORAGE, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FROM
17 SOLAR RENEWABLE RESOURCES, INCLUDING PHOTOVOLTAIC AND CONCENTRATED SOLAR
18 POWER AND SOLAR THERMAL PROCESS USED OR USEFUL IN GENERATING ELECTRICITY.

19 Sec. 15. Section 43-1165, Arizona Revised Statutes, is amended to
20 read:

21 43-1165. Credit for employment by qualified defense contractor

22 A. A credit is allowed against the taxes imposed by this title for:

23 1. Net increases in employment under United States department of
24 defense contracts during the taxable year, as computed under subsection D of
25 this section, by a qualified defense contractor that is certified by the
26 department of commerce under section 41-1508.

27 2. Net increases in private commercial employment during the taxable
28 year, as computed under subsection E of this section, by a qualified defense
29 contractor that is certified by the department of commerce under section
30 41-1508 due to full-time equivalent employee positions transferred during the
31 taxable year by the taxpayer from exclusively defense related activities to
32 employment by the taxpayer in exclusively private commercial activities.

33 B. The amount of the credit is a dollar amount allowed for each
34 full-time equivalent employee position created, determined as follows:

1	1st year	\$2,500
2	2nd year	\$2,000
3	3rd year	\$1,500
4	4th year	\$1,000
5	5th year	\$ 500

6 C. If the allowable tax credit exceeds the taxes otherwise due under
7 this title on the claimant's income, or if there are no taxes due under this
8 title, the taxpayer may carry the amount of the claim not used to offset the
9 taxes under this title forward until taxable years beginning from and after
10 December 31, 2011 as a credit against subsequent years' income tax liability,
11 regardless of continuing certification as a qualified defense contractor.

12 D. The net increase in employment under defense related contracts
13 shall be determined as follows:

14 1. Establish an employment baseline for the taxpayer based on a
15 multiyear forecast of employment on United States department of defense
16 contracts that was submitted to the department of defense before June 1,
17 1992. The annual average employment forecast for the first year the taxpayer
18 qualified is the baseline. If the taxpayer did not make such a forecast
19 before June 1, 1992, the baseline is the average annual employment as
20 reported to the department of economic security during the preceding taxable
21 year. If a taxpayer qualifies in the same year it relocates into this state,
22 the taxpayer's baseline is zero.

23 2. For the first year of the credit, the taxpayer's net increase in
24 average employment is the increase in employment reported to the department
25 of economic security for the taxable year over the employment baseline.

26 3. For each succeeding year of the credit, the taxpayer's net increase
27 in average employment is the increase in employment reported to the
28 department of economic security for the taxable year over the preceding
29 taxable year's average employment.

30 E. In computing the amount of credit allowed under subsection A,
31 paragraph 2 of this section, the taxpayer shall:

32 1. Prorate employment during the taxable year according to the date of
33 transfer from defense to private commercial activities or the date of
34 transfer from private commercial activities to defense.

1 2. Compute and subtract an amount pursuant to subsection B of this
2 section for full-time equivalent employee positions that were transferred
3 during the taxable year by the taxpayer from exclusively private commercial
4 activities to exclusively defense related activities.

5 F. The taxpayer shall account for qualifying full-time equivalent
6 employee positions on a first-in first-out basis. If a decrease in
7 qualifying employment occurs, the taxpayer shall subtract the decrease from
8 the earliest qualifying positions.

9 G. A credit is not allowed under both subsection A, paragraphs 1 and 2
10 of this section with respect to the same employee position. A full-time
11 equivalent employee position may be considered for purposes of computing the
12 credit under either subsection A, paragraph 1 or 2 of this section, but not
13 both.

14 H. A credit is not allowed under this section with respect to
15 employment that was transferred from an outside contractor in this state to
16 in-house employment by the taxpayer solely for purposes of qualifying for the
17 credit.

18 I. A taxpayer that claims a credit under section 43-1161, [43-1164.01](#)
19 or 43-1167 may not claim a credit under this section with respect to the same
20 ~~employees~~ [EMPLOYEE POSITIONS](#).

21 J. Co-owners of a business, including corporate partners in a
22 partnership, may each claim only the pro rata share of the credit allowed
23 under this section based on the ownership interest. The total of the credits
24 allowed all such owners may not exceed the amount that would have been
25 allowed for a sole owner of the business.

26 Sec. 16. Section 43-1167, Arizona Revised Statutes, is amended to
27 read:

28 [43-1167. Credit for increased employment in military reuse](#)
29 [zones; definition](#)

30 A. A credit is allowed against the taxes imposed by this title for net
31 increases in employment by the taxpayer of full-time employees working in a
32 military reuse zone, established under title 41, chapter 10, article 3, and
33 who are primarily engaged in providing aviation or aerospace services or in
34 manufacturing, assembling or fabricating aviation or aerospace products. The

1 amount of the credit is a dollar amount allowed for each new employee,
2 determined as follows:

3 1. With respect to each employee other than a dislocated military base
4 employee:

5 1st year of employment	\$ 500
6 2nd year of employment	\$1,000
7 3rd year of employment	\$1,500
8 4th year of employment	\$2,000
9 5th year of employment	\$2,500

10 2. With respect to each dislocated military base employee:

11 1st year of employment	\$1,000
12 2nd year of employment	\$1,500
13 3rd year of employment	\$2,000
14 4th year of employment	\$2,500
15 5th year of employment	\$3,000

16 B. If the allowable tax credit exceeds the taxes otherwise due under
17 this title on the claimant's income, or if there are no taxes due under this
18 title, the amount of the claim not used to offset the taxes under this title
19 may be carried forward as a credit against subsequent years' income tax
20 liability for the period, not to exceed five taxable years, if the business
21 remains in the military reuse zone.

22 C. The net increase in the number of employees for purposes of this
23 section shall be determined by comparing the taxpayer's average employment in
24 the military reuse zone during the taxable year with the taxpayer's previous
25 year's fourth quarter employment in the zone, based on the taxpayer's report
26 to the department of economic security for unemployment insurance purposes
27 but considering only employment in the zone.

28 D. Co-owners of a business, including corporate partners in a
29 partnership, may each claim only the pro rata share of the credit allowed
30 under this section based on the ownership interest. The total of the credits
31 allowed all such owners may not exceed the amount that would have been
32 allowed for a sole owner of the business.

33 E. A credit is not allowed under this section with respect to an
34 employee whose place of employment is relocated by the taxpayer from a
35 location in this state to the military reuse zone unless the employee is

1 engaged in aviation or aerospace services or in manufacturing, assembling or
2 fabricating aviation or aerospace products and the taxpayer maintains at
3 least the same number of employees in this state but outside the zone.

4 F. A taxpayer who claims a credit under section 43-1161, [43-1164.01](#) or
5 43-1165 may not claim a credit under this section with respect to the same
6 employees.

7 G. For the purposes of this section, "dislocated military base
8 employee" means a civilian who previously had permanent full-time civilian
9 employment on the military facility as of the date the closure of the
10 facility was finally determined under federal law, as certified by the
11 department of commerce.

12 Renumber to conform

13 Page 8, between lines 3 and 4, insert:

14 Sec. 24. [Purpose](#)

15 Pursuant to section 43-223, Arizona Revised Statutes, the income tax
16 credits enacted in sections 43-1083.01 and 43-1164.01, Arizona Revised
17 Statutes, as added by this act, are intended to encourage business investment
18 that will produce high quality employment opportunities for citizens of this
19 state and enhance the position of this state as a center for research,
20 development, production and use of solar energy products.

21 Sec. 25. [Effective date](#)

22 Sections 1 through 5 of this act and sections 7 through 16 of this act
23 are effective from and after December 31, 2009."

24 Amend title to conform

LUCY MASON

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